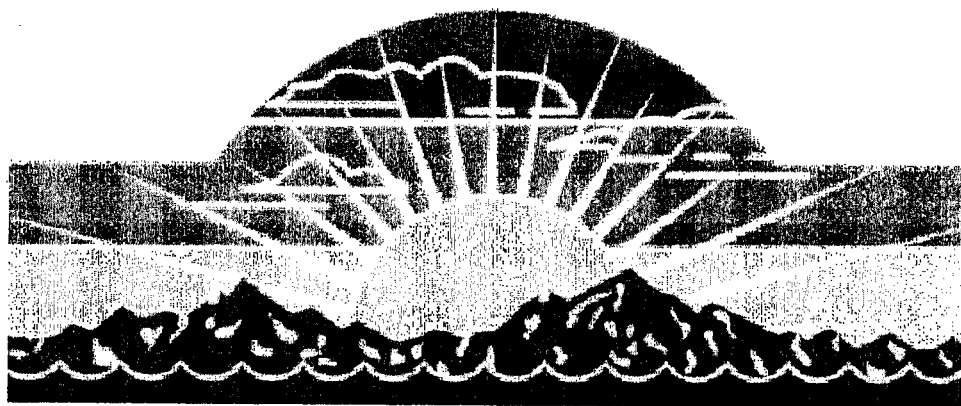


City of Sunset, Utah  
Financial Report



Year Ended June 30, 2006

Prepared by  
Susan R. Hale, Recorder

**SUNSET CITY CORPORATION**  
**Comprehensive Annual Financial Report**  
**Year Ended June 30, 2006**

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Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Report

Honorable Mayor and City Council  
Sunset City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City, as of and for the year ended June 30, 2006 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sunset City as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 22, 2006 on our consideration of Sunset City's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

*Crane, Christensen & Ambrose P.C.*

August 22, 2006

298 24th Street, Suite 300 • Ogden, Utah 84401 • Telephone (801) 627-2060 FAX 627-2182  
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# Sunset City, Utah

## Management's Discussion and Analysis

*for fiscal year ending June 30, 2006*

As management of Sunset City, we offer readers of our financial statements this narrative overview and analysis of Sunset City's financial performance and activities for the fiscal year ending June 30, 2006.

### FINANCIAL HIGHLIGHTS

- The City's Governmental net assets have a net increase of \$206,790 due to revenues exceeding expenses for the year.
- Revenues exceeded expenditures by \$208,275 in the governmental funds.
- Business-type activities net assets decreased \$8,434 due to insufficient revenues to cover operational costs.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to Sunset City's Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also includes other supplementary information in addition to the Basic Financial Statements.

The government-wide financial statements are designed to provide readers with a broad overview of Sunset City's finances in a manner similar to a private-sector business and consist of the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets presents the overall net assets of the City. Over time, increases or decreases in net assets may serve as a useful indicator of the City's overall financial condition. The Statement of Activities helps to identify functions of the City that are principally supported by taxes and other general revenues (government-type activities) along with other functions that are intended to recover all or most of their costs through user fees and charges (business-type activities). Sunset City's business-type activities include water, sewer, garbage and storm water operations.

The fund financial statements provide detailed information about individual major funds and not the City as a whole. A fund is a group of related accounts that the City uses to maintain control over resources that are kept separate and used for a specific activity or objective. Some funds are required by law to exist, while others are established internally to maintain control over a stated purpose. All of the City's funds are divided into three categories, Governmental funds, Proprietary funds and Agency Funds. Each fund uses a different accounting approach.

**Governmental Funds** - Most of the City's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund information helps readers determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. The City has 12 governmental funds. They are the General fund, Class C Road fund, Liquor Control fund, DARE fund, Youth City Council fund, Miscellaneous Grants Fund, Fire Academy/Fund Raising fund, RDA fund, CDBG Capital Project fund, City Office Building Capital Project fund, Fire Truck Capital Project fund and Public Works Capital Project fund. The Class C Road, Liquor Control, DARE, Youth City Council, Miscellaneous Grant and Fire Academy/Fund Raising funds are reported under the General Fund in the financial statements. They are separated internally for tracking purposes.

**Proprietary Funds** - Sunset City maintains one type of proprietary fund. The Enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the enterprise fund to account for its Water, Sewer, Garbage and Storm Water services.

**Agency Funds** - Sunset City has one agency fund. These monies are being held as a reward for information leading to the arrest and conviction of a suspect in the murder of Rachael Runyan.

### Notes to the Financial Statements

The notes found within these financial statements provide additional schedules and information that are essential to a complete understanding of the financial statements. The notes apply to both the government-wide and the fund financial statements.

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

### Net Assets

The largest portion of Sunset City's net assets, 61%, reflects investments in capital assets (land, buildings, equipment and other improvements) net of outstanding debt that was issued to purchase those assets. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be readily liquidated to pay off the related liabilities.

Restricted net assets comprise 12% of the total net assets and are to be used only by their specified activities. The remaining 27% of net assets is unrestricted and may be used at the City's discretion to meet its ongoing obligations to citizens and creditors.

### Sunset City Net Assets as of June 30

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current & Other Assets	1,453,379	1,278,513	285,065	229,380	1,738,444	1,507,893
Capital Assets	1,523,511	1,569,026	1,699,432	1,751,073	3,222,943	3,320,099
<b>Total Assets</b>	<b>2,976,890</b>	<b>2,847,539</b>	<b>1,984,497</b>	<b>1,980,453</b>	<b>4,961,387</b>	<b>4,827,992</b>
Current & Other Liabilities	265,191	288,241	55,086	42,609	320,277	330,850
Long-term Liabilities	1,048,104	1,102,492	0	0	1,048,104	1,102,492
<b>Total Liabilities</b>	<b>1,313,295</b>	<b>1,390,733</b>	<b>55,086</b>	<b>42,609</b>	<b>1,368,381</b>	<b>1,433,342</b>
<b>Net Assets:</b>						
Invested in Capital Assets, Net of Related Debt	475,407	466,534	1,699,432	1,751,073	2,174,839	2,217,607
Restricted	436,585	409,897	0	0	436,585	409,897
Unrestricted	751,603	580,375	229,979	186,771	981,582	767,146
<b>Total Net Assets</b>	<b>1,663,595</b>	<b>1,456,806</b>	<b>1,929,411</b>	<b>1,937,844</b>	<b>3,593,006</b>	<b>3,394,650</b>
Percent change from prior year	14.2%	5.4%	(0.4%)	(2.3)%	5.8%	0.8%

### Changes in Net Assets

The City's combined net assets increased by \$198,355 or 5.8% from the prior year. Net assets of governmental activities increased \$206,789 or 14.2%, while net assets of business-type activities decreased by \$8,434 or 0.4%. The following chart summarizes the City's revenues and expenses relative to each other and to the prior year.

### Sunset City Changes in Net Assets as of June 30

	Governmental Activities		Business-type Activities		Totals		Total Percent Change
	2006	2005	2006	2005	2006	2005	2005 to 2006
<b>Revenues</b>							
General Revenues:							
Taxes	1,103,375	1,021,762	-	-	1,103,375	1,021,762	8.0%
Other General Revenues	88,973	87,348	11,455	(23,090)	100,428	64,258	56.3%
Program Revenues:							
Charges for Services	607,643	487,553	1,109,355	983,739	1,716,998	1,471,292	16.7%
Operating grants	165,536	161,002	-	-	165,536	161,002	2.8%
Capital grants	108,383	352,381	-	-	108,383	352,381	(225.1)%
<b>Total Revenues</b>	<b>2,073,910</b>	<b>2,110,046</b>	<b>1,120,810</b>	<b>960,649</b>	<b>3,194,720</b>	<b>3,070,695</b>	<b>4.0%</b>

**Changes in Net Assets as of June 30 (continued)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>		<b>Total Percent Change</b>
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>	<b>2005 to 2006</b>
<b>Expenses</b>							
General Government	423,975	407,324	-	-	423,975	407,324	4.0%
Public Safety	807,240	728,618	-	-	807,240	728,618	10.8%
Highways and Public Works	360,876	608,779	-	-	360,876	608,779	(68.7)%
Parks and Recreation	208,036	200,496	-	-	208,036	200,496	3.8%
Community Development	21,154	38,621	-	-	21,154	38,621	(82.6)%
Interest on Long-term Debt	45,840	50,688	-	-	45,840	50,688	(10.6)%
Utility Operations	-	-	1,129,244	1,006,884	1,129,244	1,006,884	12.2%
<b>Total Expenses</b>	<b>1,867,121</b>	<b>2,034,526</b>	<b>1,129,244</b>	<b>1,006,884</b>	<b>2,996,365</b>	<b>3,041,410</b>	<b>(1.5)%</b>
<b>Change in Net Assets</b>	<b>206,789</b>	<b>75,520</b>	<b>(8,434)</b>	<b>(46,235)</b>	<b>198,355</b>	<b>29,285</b>	
Net Assets - Beginning	1,456,806	1,381,286	1,937,845	1,984,080	3,394,651	3,365,366	
<b>Net Assets - Ending</b>	<b>1,663,595</b>	<b>1,456,806</b>	<b>1,929,411</b>	<b>1,937,845</b>	<b>3,593,006</b>	<b>3,394,651</b>	<b>5.8%</b>

**Governmental Activities**

The activities in the governmental funds resulted in an increase in net assets of \$206,789 for the year.

Table 1 shows to what extent the City's governmental activities relied on taxes and other general revenue to cover all of their costs. These programs generated revenues of \$202,159 or 11.1% of their total expenses through charges for services and grants. Taxes and other general revenues covered the remaining 88.9% of expenses.

*Table 1*

<b>Activities</b>	<b>Total Program Expenses</b>	<b>Less Program Revenues</b>	<b>Net Program Costs</b>	<b>Program Revenues as a Percentage of Total Expense</b>
General Government	423,975	550,953	126,978	30.25%
Public Safety	807,240	100,215	(707,025)	5.50%
Highways and Public Works	360,876	175,352	(185,524)	9.63%
Parks and Recreation	208,036	23,911	(184,125)	1.31%
Community Development	21,154	31,131	9,977	1.71%
<b>Totals</b>	<b>1,821,281</b>	<b>881,562</b>	<b>(939,719)</b>	<b>48.40%</b>

Table 2 shows by percentage the relative net uses (expenses minus any revenue directly attributed to that particular function) for governmental activities for each of the functions shown on the Statement of Activities.

*Table 2*

<b>Activities</b>	<b>Net Program Costs</b>	<b>Percentage of each activity in Relation to the Total of All Programs</b>
General Government	(126,978)	(13.51)%
Public Safety	707,025	75.24%
Highways and Public Works	185,524	19.74%
Parks and Recreation	184,125	19.59%
Community Development	(9,977)	(1.06)%
<b>Totals</b>	<b>939,719</b>	<b>100%</b>

### **Business-type Activities**

The business-type activities (water, sewer, garbage and storm water) are not generating sufficient revenue to cover operating costs.

### **CAPITAL ASSETS AND LONG-TERM DEBT**

Sunset City added \$104,055 in new capital assets in governmental activities during the fiscal year - \$91,930 in equipment (\$88,926 of that for public safety) and \$12,125 in improvements (City Building security camera system). The City added \$12,021 in new equipment capital assets in business-type activities during the fiscal. The City's long term debt decreased by \$64,172, which represents \$84,640 in debt payments and \$20,468 in new borrowing.

### **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

#### **Fund Balances**

As of June 30, 2006, Sunset City's governmental funds reported fund balances of \$1,287,937. Of this amount, \$436,585 or 33.9% is reserved for specific purposes. The remaining \$851,352 or 66.1% is unreserved. \$439,987 is in the Redevelopment Agency fund and the remaining \$411,365 is to help if needed towards continuation of the City's programs.

#### **General Fund**

During fiscal year 2006, the fund balance in the general fund increased by \$83,170. Total revenues were up \$217,585, with tax revenue increasing 10.1% over the previous year and the City received \$26,732 more in interest earnings than the previous year. Total general fund expenditures (excluding transfers) were up \$103,846 or 6.1%. A good portion of that increase was spent in maintaining the City streets.

#### **GENERAL FUND REVENUE SOURCES**

Taxes .....	51.1%
Licenses & Permits .....	1.6%
Intergovernmental .....	12.1%
Charges for Services .....	1.3%
Fines & Forfeitures .....	27.3%
Other Revenues .....	6.6%

#### **GENERAL FUND EXPENDITURES**

General Government .....	22.8%
Public Safety .....	44.6%
Highways & Public Works .....	14.4%
Parks & Recreation .....	11.0%
Community Development .....	0.1%
Debt Service .....	7.1%

#### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year, the City amended the General Fund two times to meet the needs of the departments. The amendments consisted of an increase in the amount of \$177,500 from the original budget of \$1,823,410 to the final budget of \$2,000,910. The actual expenditures (excluding transfers) came in \$94,255 under budget and the actual revenues came in \$58,720 over budget.

#### **RDA Fund**

During the fiscal year, the fund balance in the Redevelopment Agency Fund increased \$65,845. The taxes received from Smith's Food & Drug decreased \$11,940 or 14% from last fiscal year mostly due to decreasing sales. The amount paid back to Smith's Food & Drug decreased \$17,375 or 89% from the previous year.

**Capital Projects Funds**

During the fiscal year, the fund balance in the Capital Projects Funds increased \$59,260. The expenditures were for various Public Works projects in the amount of \$71,934. \$36,000 was transferred in to save for a new Fire Truck and \$70,265 for continuing Public Works projects.

**Enterprise Fund**

The change in net assets of the enterprise fund shows a decrease of 8,434 or 0.4% from the previous year. Part of the decrease was due to purchasing a number of radio read water meters.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide readers with a general overview of Sunset City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information in this report should be addressed to:

Susan R. Hale  
City Recorder  
200 W. 1300 N.  
Sunset, UT 84015  
(801) 614-9103



**SUNSET CITY**  
**Statement of Net Assets**  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Cash and cash equivalents	1,442,661	64,288	1,506,949
Accounts receivable - net	10,717	130,488	141,205
Prepaid expenses	0	90,289	90,289
Capital assets, net of depreciation:			
Land	137,491	12,500	149,991
Buildings	937,956	873,990	1,811,946
Improvements	23,082	757,427	780,509
Equipment	424,982	55,515	480,497
Total capital assets	<u>1,523,511</u>	<u>1,699,432</u>	<u>3,222,943</u>
 Total assets	 <u>2,976,889</u>	 <u>1,984,497</u>	 <u>4,961,386</u>
<b>Liabilities:</b>			
Accounts payable and accrued liabilities	161,435	22,197	183,632
Compensated absences	103,756	32,889	136,645
Noncurrent liabilities:			
Due within one year	84,640	0	84,640
Due in more than one year	<u>963,464</u>	<u>0</u>	<u>963,464</u>
 Total liabilities	 <u>1,313,295</u>	 <u>55,086</u>	 <u>1,368,381</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	475,407	1,699,432	2,174,839
Restricted for:			
Capital projects	328,845	0	328,845
Class "C" roads	74,861	0	74,861
Liquor	10,131	0	10,131
DARE	9,880	0	9,880
Youth City Council	1,478	0	1,478
Miscellaneous grants	9,353	0	9,353
Fire academy/fund raising	2,037	0	2,037
Unrestricted	<u>751,602</u>	<u>229,979</u>	<u>981,581</u>
 Total net assets	 <u>1,663,594</u>	 <u>1,929,411</u>	 <u>3,593,005</u>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Activities**  
June 30, 2006

Functions	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributuions
<b>Governmental activities:</b>				
General government	423,975	550,360	593	
Public safety	807,240	1,641	15,120	83,454
Highways and public works	360,876	600	149,823	24,929
Parks and recreation	208,036	23,911		
Community Development	21,154	31,131		
Interest on long-term debt	45,840			
Total governmental activities	<u>1,867,121</u>	<u>607,643</u>	<u>165,536</u>	<u>108,383</u>
<b>Business-type activities:</b>				
Water operational	155,683	480,621		
Sewer collection and disposal	151,375	256,922		
Garbage collection and disposal	271,565	345,459		
Storm sewer collection and disposal	1,864	26,353		
Salaries, wages and benefits	291,954			
Other operational expense	193,142			
Depreciation expense	63,661			
Total business-type activities	<u>1,129,244</u>	<u>1,109,355</u>		

**General revenues:**

Taxes  
Investment earnings  
Miscellaneous  
Transfers  
Total general revenues  
Change in net assets  
Net assets - beginning  
Net assets - ending

The notes to the financial statements are an integral part of this statement

Net (Expense) Revenue and Changes in Net Assets

Total Governmental Activities	Business-type Activities	Totals
126,978		126,978
(707,025)		(707,025)
(185,524)		(185,524)
(184,125)		(184,125)
9,977		9,977
(45,840)		(45,840)
<u>(985,559)</u>		<u>(985,559)</u>

	324,938	324,938
	105,547	105,547
	73,894	73,894
	24,489	24,489
	(291,954)	(291,954)
	(193,142)	(193,142)
	(63,661)	(63,661)
	<u>(19,889)</u>	<u>(19,889)</u>

1,103,375		1,103,375
54,816		54,816
34,157	11,455	45,612
0	0	0
<u>1,192,348</u>	<u>11,455</u>	<u>1,203,803</u>
206,789	(8,434)	198,355
<u>1,456,806</u>	<u>1,937,845</u>	<u>3,394,651</u>
<u>1,663,595</u>	<u>1,929,411</u>	<u>3,593,006</u>

**SUNSET CITY**  
**Balance Sheet**  
**Governmental Funds**  
June 30, 2006

	<u>General</u>	<u>Redevelopment Agency</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	673,830	439,986	328,845	1,442,661
Receivables	10,717	0	0	10,717
Prepaid expense	0	0	0	0
<b>Total assets</b>	<b><u>684,547</u></b>	<b><u>439,986</u></b>	<b><u>328,845</u></b>	<b><u>1,453,378</u></b>
<b>Liabilities and fund balances:</b>				
<b>Liabilities:</b>				
Accounts payable & accrued liability	165,442	0	0	165,442
<b>Total liabilities</b>	<b><u>165,442</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>165,442</u></b>
<b>Fund Balances:</b>				
Reserved for:				
Capital Projects			328,845	328,845
Class "C" roads	74,861			74,861
Liquor	10,131			10,131
DARE	9,880			9,880
Youth City Council	1,478			1,478
Miscellaneous grants	9,353			9,353
Fire academy/fund raising	2,037			2,037
<b>Unreserved</b>	<b><u>411,365</u></b>	<b><u>439,986</u></b>		<b><u>851,351</u></b>
<b>Total fund balances</b>	<b><u>519,105</u></b>	<b><u>439,986</u></b>	<b><u>328,845</u></b>	<b><u>1,287,936</u></b>
<b>Total liabilities and     fund balances</b>	<b><u>684,547</u></b>	<b><u>439,986</u></b>	<b><u>328,845</u></b>	<b><u>1,453,378</u></b>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Assets**  
June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total fund balances - governmental fund types:	1,287,936
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	137,491	
Buildings	1,189,262	
Improvements	189,067	
Equipment	1,734,119	
Accumulated Depreciation	<u>(1,726,428)</u>	1,523,511

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences	99,749	
Noncurrent liabilities:		
Due within one year	84,640	
Due in more than one year	<u>963,464</u>	<u>(1,147,853)</u>

Net assets of governmental activities	<u><u>1,663,594</u></u>
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The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**

For the Fiscal Year Ended June 30, 2006

	General	Redevelopment Agency	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	1,018,103	85,272		1,103,375
Licenses and permits	31,731			31,731
Intergovernmental	239,948		24,929	264,877
Charges for services	25,957			25,957
Fines and forfeitures	544,403			544,403
Earnings on investments	54,816			54,816
Sale of assets	810			810
Miscellaneous revenue	47,940			47,940
Total revenues	<u>1,963,708</u>	<u>85,272</u>	<u>24,929</u>	<u>2,073,909</u>
<b>Expenditures:</b>				
Current:				
General government	410,292			410,292
Public safety	803,579			803,579
Highways and public works	259,530			259,530
Parks and recreation	198,917			198,917
Community Development	1,727	19,427		21,154
Capital projects			60,529	60,529
Debt service:				
Principal retirement	82,535			82,535
Interest and fiscal charges	45,840			45,840
Total expenditures	<u>1,802,420</u>	<u>19,427</u>	<u>60,529</u>	<u>1,882,376</u>
Excess (deficiency) of revenues over (under) expenditures	<u>161,288</u>	<u>65,845</u>	<u>(35,600)</u>	<u>191,533</u>
<b>Other financing sources (uses):</b>				
Lease proceeds	28,147	0	0	28,147
Transfers (out)	(106,265)	0	(11,405)	(117,670)
Transfers in	0	0	106,265	106,265
Total other financing sources (uses)	<u>(78,118)</u>	<u>0</u>	<u>94,860</u>	<u>16,742</u>
Net change in fund balances	83,170	65,845	59,260	208,275
<b>Fund balances - beg. of year</b>	<u>435,936</u>	<u>374,141</u>	<u>269,585</u>	<u>1,079,662</u>
<b>Fund balances - end of year</b>	<u>519,106</u>	<u>439,986</u>	<u>328,845</u>	<u>1,287,937</u>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Government Funds to the Statement of Activities**  
June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance - total governmental funds	208,275
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$500 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount in which depreciation exceeded capital outlays in the current period.

	104,055	
Additions to capital assets		
Depreciation expense	(149,570)	(45,515)

Lease payments are accounted for in the general fund as an expenditure. Lease proceeds are accounted for as a revenue. In the statement of activities only the interest expense for the current year is included with the principal reducing the liability on the statement of assets. Changes in compensated absences are treated as expenses in governmental statements, but are reductions or increases in the liability in the Statement of Net Assets.

	(28,147)	
Lease proceeds		
Principal payments on leases	82,535	
(Increase) decrease in compensated absences	(10,359)	44,029

Change in net assets of governmental activities	206,789
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The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Net Assets**  
**Proprietary Fund**  
For the Fiscal Year Ended June 30, 2006

	<u>2006</u>
<b>Assets:</b>	
Current assets:	
Cash and cash equivalents	64,288
Accounts receivable	130,488
Prepaid items	<u>90,289</u>
Total current assets	<u>285,065</u>
Capital assets:	
Land	12,500
Buildings	941,422
Improvements	1,879,309
Equipment	221,250
Less accumulated depreciation	<u>(1,355,049)</u>
Total capital assets	<u>1,699,432</u>
Total assets	<u>1,984,497</u>
<b>Liabilities:</b>	
Current liabilities:	
Accounts payable	<u>22,197</u>
Total current liabilities	<u>22,197</u>
Noncurrent liabilities:	
Compensated absences	<u>32,889</u>
Total noncurrent liabilities	<u>32,889</u>
Total liabilities	<u>55,086</u>
<b>Net Assets:</b>	
Invested in capital assets net of related debt	1,699,432
Restricted	0
Unrestricted	<u>229,979</u>
Total net assets	<u>1,929,411</u>

The notes to the financial statements are an integral part of this statement



**SUNSET CITY**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
For the Fiscal Year Ended June, 30, 2006

	<u>2006</u>
<b>Operating revenue:</b>	
Charges for services	1,109,405
Total operating revenues	<u>1,109,405</u>
<b>Operating expenses:</b>	
Water operational	155,683
Sewer collection and disposal	151,375
Garbage collection and disposal	271,565
Storm sewer collection and disposal	1,864
Salaries, wages and benefits	291,954
Other operational expense	193,142
Depreciation expense	63,661
Total operating expenses	<u>1,129,244</u>
Operating income (loss)	<u>(19,839)</u>
Transfers in (out)	<u>11,405</u>
Change in net assets	(8,434)
<b>Total net assets - beginning</b>	<u>1,937,845</u>
<b>Total net assets - ending</b>	<u><u>1,929,411</u></u>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Cash Flows**  
**Proprietary Funds**  
For the Fiscal Year Ended June, 30, 2006

	<u>2006</u>
<b>Cash flows from operating activities:</b>	
Receipts from services provided	1,085,290
Payments to suppliers	(804,078)
Payments to employees	(288,974)
Net cash provided (used) by operating activities	<u>(7,762)</u>
<b>Cash flows from noncapital financing activities:</b>	
Transfers (to) other funds	11,405
Net cash provided (used) by noncapital financing activities	<u>11,405</u>
<b>Cash flows from capital and related financing activities:</b>	
Capital Contributions	0
Acquisition of capital assets	(12,019)
Proceeds from sale of capital assets	0
Principal paid on capital debt	0
Interest paid on capital debt	0
Net cash provided (used) by capital and related activities	<u>(12,019)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>0</u>
Net increase (decrease) in cash and cash equivalents	(8,376)
Cash and cash equivalents - beginning	<u>72,664</u>
Cash and cash equivalents (deficit) - ending	<u><u>64,288</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	(19,839)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	63,661
(Increase) decrease in accounts receivable	(24,115)
(Increase) decrease in prepaid items	(39,946)
Increase (decrease) in accounts payable	9,497
Increase (decrease) in compensated absences	2,980
Total adjustments	<u>12,077</u>
Net cash provided (used) by operating activities	<u><u>(7,762)</u></u>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
For the Fiscal Year Ended June, 30, 2006

	<u>2006</u>
<b>Assets</b>	
Cash and cash equivalents	50,890
Interest receivable	<u>0</u>
Total Assets	<u>50,890</u>
 <b>Liabilities</b>	
Accounts payable	<u>0</u>
Total Liabilities	<u>0</u>
 <b>Net Assets</b>	
Held in trust for reward for those instrumental in the capture and prosecution of suspect in Rachel Runyan case	 <u>50,890</u>

The notes to the financial statements are an integral part of this statement

**SUNSET CITY**  
**Notes to Financial Statements**  
**June 30, 2006**

**(1) Summary of Significant Accounting Policies**

Sunset City was incorporated September 3, 1935. The City operates under a mayor/council form of government and provides the following services as authorized by its charter: public safety, public utilities, highways and streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services. The financial statements of Sunset City have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies:

**A. Reporting Entity**

As required by generally accepted accounting principles, these financial statements present Sunset City (the primary government) and its component unit. The component unit discussed below is included in the City's financial report because of the significance of its operational or financial relationships with the City.

**Blended Component Unit:**

**Sunset Redevelopment Agency** - The Sunset Redevelopment Agency (RDA) is governed by a board of directors comprised of the Mayor and City Council. Although it is legally separate from the City, the RDA is reported as if it were part of the primary government because its sole purpose in removing blight is to redevelop areas within the City, thereby generating additional property tax and sales tax.

**B. Government-Wide Financial Statements**

The City's basic financial statements consist of both government-wide statements and fund statements. The government-wide statements focus on the City as a whole and the fund statements focus on individual funds.

**Government-Wide Financial Statements**

The government-wide statements present information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The effects of interfund activity have been eliminated from the government-wide statements except for the residual amounts due between governmental and business-type activities.

The Statement of Net Assets presents the City's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are restricted when constraints placed upon them are either externally imposed or are imposed by constitutional provisions or enabling legislation. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. The City does not allocate the general government (indirect) expenses to other functions. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not meeting the definition of program revenues are reported as general revenues.

**Fund Financial Statements**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and statutory mandate. The various funds are grouped, in the financial statements in this report, into fund types and categories as follows:

SUNSET CITY  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies - Continued**

***Governmental Fund Types:***

The City reports the following major governmental funds:

***General Fund*** - The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in other funds. It also includes the financial activities related to most federal and state funds.

***Special Revenue Fund*** - This fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes. The City's Redevelopment Agency is reported as a special revenue fund.

***Capital projects funds*** - These funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities.

***Proprietary Fund Types:***

***Enterprise fund*** - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of income earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City operates its water, sewer, storm water drainage and garbage operations as an enterprise fund.

***Fiduciary Fund Types:***

***Fiduciary Fund*** - This fund is used to account for assets held by the City, in a trustee capacity for individuals, other governmental units and/or funds.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases in net total assets.

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. That is, revenues are recognized when they become measurable and available as net current assets. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

**SUNSET CITY**  
**Notes to Financial Statements**  
**June 30, 2006**

**(1) Summary of Significant Accounting Policies - Continued**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: 1) accumulated unpaid vacation, sick pay and other employee amounts which are not accrued in the individual funds because the current portion of these items cannot be reasonably estimated and 2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. The City applies only the applicable FASB pronouncements issued on or before November 30, 1989.

**D. Budgets**

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act of Utah Cities" by the Sunset City Municipal Council on or before June 22<sup>nd</sup> for the following fiscal year which begins on July 1<sup>st</sup>. Budgets may be increased by resolution of the City Council at any time during the year, following a public hearing. Budgets are prepared in line-item detail; however, budget amendments by resolution are generally required only if the fund desires to exceed its total budget appropriation. The City follows Uniform Fiscal Procedures for Cities as adopted by the State Legislature for policies concerning its budgetary accounting. Annual budgets are adopted for all governmental fund types. All annual appropriations lapse at the fiscal year end.

During the year the City made two amendments to the budget totaling an increase of \$177,500 in the General Funds, an increase of \$36,929 in the Capital Projects Funds, a decrease of \$3,335 in the Enterprise Fund and a decrease in the RDA Fund of \$22,865.

**E. Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$500 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset are not capitalized.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	50 years
Wells	50 years
Water distribution system	50 years
Sewer collection system	50 years
Equipment and machinery	5-10 years
Infrastructure improvements	50 years
Other improvements	10-50 years

**F. Reservations of Fund Balance/Retained Earnings**

The City is required to reserve part of the fund balance of the general fund to account for the unexpended portions of certain types of revenue. The reserved fund balance is for capital projects, Class "C" road revenue, the DARE program, the Liquor allotment, the City's youth council, Miscellaneous Grants and Fire Academy/Fund Raising.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2006

**(1) Summary of Significant Accounting Policies - Continued**

**G. Cash and Cash Equivalents**

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**H. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(2) Deposits and Investments**

Deposits and investments for the City of Sunset are governed by the Utah Money Management Act and by rules of the Utah Money Management Council. Following are discussions of the City's exposure to various risks related to its cash management activities.

**A. Custodial Credit Risk**

*Deposits.* Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The City's policy for managing custodial credit risk is to adhere to the Utah Money Management Act. The Act requires all deposits of City funds to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirement of the Act and adhering to the rules of the Utah Money Management Council.

The City's deposits in the bank in excess of the insured amount are uninsured and are not collateralized, nor do state statutes require them to be. The City's deposits at June 30, 2006 were \$88,813, none of which were uninsured and uncollateralized.

**B. Credit Risk**

Credit risk is the risk that the counterparty to an investment transaction will not fulfill its obligations. The City's policy for limiting the credit risk of investments is to comply with the Utah Money Management Act. The Act requires investment transactions to be conducted only through qualified depositories, certified dealers or directly with issuers of the investment securities. Permitted investments include deposits of qualified depositories, repurchase agreements, commercial paper that is classified as "first-tier" by two nationally recognized statistical rating organizations (one of which must be Moody's Investor Services of Standard & Poor's), bankers acceptances, obligations of the U.S. Treasury and U.S. government sponsored enterprises, bonds and notes of political subdivision of the State of Utah, fixed rate corporate obligations and variable rate securities rated "A" or higher by two nationally recognized statistical rating organizations and shares in a money market fund as defined in the Act.

The City is also authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**SUNSET CITY**  
**Notes to Financial Statements**  
**June 30, 2006**

As of June 30, 2006 the City had investments of \$1,427,165 in the PTIF fund. The PTIF does not have a quality rating.

**C. Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The City manages its exposure to declines in fair value by investing solely in the PTIF and by adhering to the Utah Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity of commercial paper to 270 days or less and fixed rate negotiable deposits and corporate obligations to 365 days or less. The City had no days of maturity to report.

**D. Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's policy to limit this risk is to adhere to the rules of the Utah Money Management Council and to invest most of its available funds in the PTIF. The Council rules do not limit the amount of investments a government may make in any one issuer except for Rule 2 regarding certain endowments and funds with a long-term perspective and Rule 17, which limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the government's portfolio at the time of purchase.

**(3) Accounts Receivable**

Accounts receivable in the enterprise fund are shown net of an allowance for doubtful accounts of \$1,705.

**(4) Capital Assets**

Capital asset activity for the year ending June 30, 2006 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	137,491	0	0	137,491
Total capital assets not being depreciated	137,491	0	0	137,491
Capital assets being depreciated:				
Buildings	1,189,262	0	0	1,189,262
Improvements	176,942	12,125	0	189,067
Machinery and equipment	1,642,189	91,930	0	1,734,119
Total capital assets being depreciated	3,008,393	104,055	0	3,112,448
Less accumulated depreciation for:				
Buildings	227,219	24,087	0	251,306
Improvements	164,054	1,931	0	165,985
Machinery and equipment	1,185,585	123,552	0	1,309,137
Total accumulated depreciation	1,576,858	149,570	0	1,726,428
Total capital assets being depreciated, net	1,431,535	(45,515)	0	1,386,020
Governmental activities capital assets, net	1,569,026	(45,515)	0	1,523,511



**SUNSET CITY**  
**Notes to Financial Statements**  
June 30, 2006

**(4) Capital Assets - Continued**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-type activities:</b>				
Capital assets not being depreciated:				
Land	12,500	0	0	12,500
Total capital assets not being depreciated	12,500	0	0	12,500
Capital assets being depreciated:				
Buildings	941,423	0	0	941,423
Improvements	1,879,309	0	0	1,879,309
Machinery and equipment	209,229	12,021	0	221,250
Total capital assets being depreciated	3,029,961	12,021	0	3,041,982
Less accumulated depreciation for:				
Buildings	47,249	20,183	0	67,432
Improvements	1,090,590	31,292	0	1,121,882
Machinery and equipment	153,549	12,186	0	165,735
Total accumulated depreciation	1,291,388	63,661	0	1,355,049
Total capital assets being depreciated, net	1,738,573	(51,640)	0	1,686,933
Business-type activities capital assets, net	1,751,073	(51,640)	0	1,699,433

Depreciation expense of governmental activities was charged to functions as follows:

General Government	\$ 24,150
Public Safety	86,064
Highways and Public Works	31,376
Parks and Recreation	7,980
Total	<u>\$ 149,570</u>

**(5) Long Term Debt**

The City has four capital leases included in general long-term debt. The debt is to be paid with general fund revenue. Future minimum lease payments together with the present value of the net minimum lease payments under capital leases at June 30, 2006 are summarized as follows:

Year ending June 30,	Police Vehicle Leases	City Building Lease	Total
2007	19,713	108,602	128,315
2008	7,679	108,602	116,281
2009	7,679	108,602	116,281
2010	0	108,602	108,602
2011	0	108,602	108,602
Years thereafter	0	760,214	760,214
Total lease payments	35,071	1,303,224	1,338,295
Less amount representing interest	3,245	286,946	290,191
Present value of minimum lease payment	31,826	1,016,278	1,048,104
Less current portion	17,778	66,862	84,640
Portion of obligations under capital Leases due after one year	<u>14,048</u>	<u>949,416</u>	<u>963,464</u>

**SUNSET CITY**  
**Notes to Financial Statements**  
**June 30, 2006**

**(6) Contributed Capital**

The water and sewer fund regularly receive contributions from sub-dividers for the extension of water and sewer lines. Private developers construct water and sewer transmission systems at their own cost. Occasionally the City constructs large trunk lines. When governmental grants are used to construct part of a system the government receipts are recorded as contributed capital.

**(7) Compensated Absences, Accumulated Unpaid Vacation, Sick Pay, Compensatory Time**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for the unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. The liability for unused vacation and compensatory leave is recorded in the government-wide statement of net assets.

**(8) Retirement Plans**

**Plan Description**

Sunset City (City) contributes to the Local Governmental Contributory, Non-contributory and Public Safety Non-contributory, an all cost-sharing multiple-employer defined benefit pension plan that is administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The System is established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Non-contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah, 84102 or by calling (800) 365-8772.

**Funding Policy**

In the Local Governmental Contributory System the City contributes a combined rate of 13.08% of covered salary, in the Non-contributory Retirement System the City is required to contribute 11.09% of its annual covered salary. The City contributes 19.34% to the Public Safety Non-contributory System based on covered wages. The contribution rate is actuarially determined. The contribution requirements of the System are authorized by statute and specified by the Board.

The City's contributions to the various systems for June 30, 2005, 2004 and 2003 were as follows:

**A. Local Governmental System - Contributory**

<u>2006</u>	<u>2005</u>	<u>2004</u>	
126,284	111,842	102,174	Salary subject to contributions.
7,577	6,711	6,130	Employer paid for employee contributions.
8,941	7,918	5,732	Employer contributions.

**B. Local Governmental System - Non-contributory**

<u>2006</u>	<u>2005</u>	<u>2004</u>	
311,723	283,503	277,261	Salary subject to retirement contributions.
34,570	31,441	26,672	Employer contributions.

SUNSET CITY  
Notes to Financial Statements  
June 30, 2006

**(8) Retirement Plans - Continued**

C. Utah Public Safety Retirement System - Non-contributory

<u>2006</u>	<u>2005</u>	<u>2004</u>	
334,946	304,643	293,244	Salary subject to retirement contributions.
64,779	58,126	47,623	Employer contributions.

D. 401 (K) Contributions

<u>2006</u>	<u>2005</u>	<u>2004</u>	
12,782	11,350	10,853	Employee paid contributions.
33,622	29,362	23,086	Employer paid for employee contributions.

**(9) Risk Management**

Sunset City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disaster for which the government carries commercial insurance. Deductibles on claims are paid for out of the department experiencing the damage or loss.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At June 30, 2006 there were no outstanding claims or judgements against the City. Settlements did not exceed insurance coverage for each of the past three years.

**(10) Budgetary Accounting and Tax Calendar**

The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. Budgets are required by the State of Utah for the general, special revenue, debt service and capital improvement funds. The legal level of control required by the State of Utah is at the department level. The City's budget is a financial plan of all estimated revenues and all appropriations for expenditures. Revenues and expenditures must balance.

The budget is prepared sometime between the 1<sup>st</sup> of March and the 1<sup>st</sup> of May. A tentative budget is presented by the Mayor to the City Council by the first regularly scheduled Council meeting in May. The tentative budget is reviewed and tentatively adopted by the Council no later than the first meeting in May. The tentative budget is public record and is available for inspection at the City Recorder's Office for at least ten days prior to adoption of the final budget. Notice of public hearing on adoption of the final budget is published seven days prior to the public hearing. The public hearing on the tentatively adopted budget is held prior to final adoption. Final adjustments are made to the tentative budget by the Council after the public hearing. The final budget is adopted by resolution before June 22<sup>nd</sup> and a copy of the budget certified by the Budget Officer is filed with the State Auditor within thirty days of adoption.

The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Mayor or designated budget officer.

In connection with budget adoption an annual tax resolution establishing the tax rate is adopted before June 22<sup>nd</sup> and the City Recorder is to certify the tax rate to the County Auditor before June 22<sup>nd</sup>.

Budgets for the general, special revenue, and capital projects funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

SUNSET CITY  
Notes to Financial Statements  
June 30, 2006

The preceding procedures are authorized by Utah Code Sections 10-6-109 through 10-6-136.

<u>Property Tax Calendar</u>		
<u>Duties to be Completed</u>	<u>Authorizing Statute</u>	<u>Statute Date</u>
Lien date	59-2-103 59-2-1302	01/01
Taxing districts with June year end notify county commission of date, time and place of public hearing	59-2-918(5) 59-2-919(7)	03/01
County Treasurer to settle taxes charged and collected for previous year	59-2-1365	03/31
Budget Officer shall prepare and file with Council a tentative budget	10-6-111	1 <sup>st</sup> scheduled Council meeting in May
Tax Commission reports value of Centrally Assessed Property to counties	59-2-802	06/08
County Assessor delivers to County Auditor statement showing aggregate valuation of all taxable property	59-2-924	06/01
County Auditor sends valuation, certified tax rate and levy worksheets to each taxing district	59-2-924	06/08
Taxing district must adopt a proposed tax rate, certify the rate and levy, and submit to County Auditor	59-2-912	before 06/22
County to set proposed tax rates	59-2-909	06/22
Taxing districts adopt tentative budgets and notify County of intent to exceed certified tax rate	59-2-924(3)	06/22
County Auditor to submit levy worksheets and supporting documentation to Tax Commission	59-2-913	before 06/22
Copy of final budget to State Auditor within 30 days of adoption	10-6-118	7/22 or 08/17
County Treasurer to mail tax notice	59-2-1317	11/01
County Auditor delivers assessment roll with affidavit to County Treasurer	59-2-326	11/01
Payment and delinquency date	59-2-1331	11/30
Delinquency list published	59-2-1332.5	12/31

SUNSET CITY  
Notes to Financial Statements  
June 30, 2006

**(11) Sunset Redevelopment Agency**

The redevelopment agency (RDA) collected tax increments of \$85,272 for the Smith's area. There were no tax increments paid to any other taxing agency and the RDA has no outstanding bonds or loans associated with the project areas.

The RDA expended funds in the following area:

Tax reimbursement payments	\$19,427
----------------------------	----------

**(12) Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by those grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

**(13) Inter-fund Transfers**

Transfer from fire dept. in the general fund	(36,000)
Transfer to fire truck capital project fund	36,000
Transfer from non-departmental in the general fund	(68,265)
Transfer from streets in the general fund	(1,000)
Transfer from parks in the general fund	(1,000)
Transfer to capital projects fund	70,265
Transfer from capital projects fund	(11,405)
Transfer to utility fund	11,405
	<u>0</u>

**REQUIRED SUPPLEMENTAL INFORMATION**

**SUNSET CITY**  
**Notes to Required Supplementary Information**  
**June 30, 2006**

**Budgeting and Budgetary Control**

As more fully explained in Note 1 of the "Notes to Financial Statements", annual budgets are prepared and adopted before June 22<sup>nd</sup> for the fiscal year commencing the following July 1<sup>st</sup> in accordance with the Uniform Fiscal Procedures Act for Utah Cities. State law requires budgeted revenues to equal budgeted expenditures and legal control is exercised at the department level. Once a budget has been adopted, it remains in effect until it has been formally revised. Budgets for the general, special revenue and capital projects funds are legally required and are prepared and adopted on the modified accrual basis of accounting. Therefore, no reconciliation between budgetary schedules and the GAAP statements is required.

The Budgetary Comparison schedules presented in this section of the report are for the City's general fund and major special revenue fund. Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to July 1<sup>st</sup>. Final budgets represent the original budget amounts plus any amendments made to the budgets during the year by the City Council through formal resolution. Final budgets do not include unexpected balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund**  
Fiscal Year Ended June 30, 2006

General Fund

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>				
Taxes:				
Current year property taxes	121,310	121,310	118,274	(3,036)
Delinquent prior years taxes	6,200	5,600	5,987	387
Fee in lieu	36,600	34,800	35,211	411
Sales tax	491,000	517,000	530,625	13,625
Franchise tax	319,000	320,000	328,006	8,006
Total taxes	<u>974,110</u>	<u>998,710</u>	<u>1,018,103</u>	<u>19,393</u>
Licenses and permits:				
Business licenses	23,500	24,500	24,926	426
Building permits	3,250	5,900	6,016	116
Building plan check fees	1,500	750	789	39
Total licenses and permits	<u>28,250</u>	<u>31,150</u>	<u>31,731</u>	<u>581</u>
Intergovernmental:				
Class "C" road allotment	160,000	149,800	149,823	23
State liquor allotment	5,000	6,600	6,672	72
Fire and EMS grants	7,065	80,295	79,210	(1,085)
Police grants	0	4,245	4,243	(2)
Public works grants	0	0	0	0
Total intergovernmental	<u>172,065</u>	<u>240,940</u>	<u>239,948</u>	<u>(992)</u>
Charges for services:				
Special public safety fees	1,200	1,200	1,386	186
Recreation fees	14,610	20,945	23,076	2,131
Miscellaneous service fees	6,100	1,325	1,495	170
Total charges for services	<u>21,910</u>	<u>23,470</u>	<u>25,957</u>	<u>2,487</u>
Fines and forfeitures	<u>440,000</u>	<u>510,000</u>	<u>544,403</u>	<u>34,403</u>
Other revenues:				
Earnings on investments	23,100	51,500	54,816	3,316
Sales of assets	1,000	800	810	10
Miscellaneous revenues	56,840	48,415	47,940	(475)
Total other revenues	<u>80,940</u>	<u>100,715</u>	<u>103,566</u>	<u>2,851</u>
Total revenues	<u>1,717,275</u>	<u>1,904,985</u>	<u>1,963,708</u>	<u>58,723</u>
<b>Expenditures:</b>				
General Government				
Legislative:				
Salaries and benefits	16,895	16,895	16,890	5
Materials, supplies and services	10,840	13,395	13,049	346
Total	<u>27,735</u>	<u>30,290</u>	<u>29,939</u>	<u>351</u>



**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2006

General Fund

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Expenditures - (continued):</b>				
Judicial:				
Salaries and benefits	93,885	93,885	89,577	4,308
Materials, supplies and services	28,460	27,050	21,112	5,938
Capital outlay	500	500	499	1
	<u>122,845</u>	<u>121,435</u>	<u>111,188</u>	<u>10,247</u>
Administrative:				
Salaries and benefits	95,825	96,325	96,713	(388)
Materials, supplies and services	22,850	22,455	20,300	2,155
Capital outlay	500	500	146	354
	<u>119,175</u>	<u>119,280</u>	<u>117,159</u>	<u>2,121</u>
Non-departmental:				
Materials, supplies and services	<u>132,300</u>	<u>134,770</u>	<u>134,722</u>	<u>48</u>
City shops, buildings and grounds:				
Salaries and benefits	5,275	5,550	5,567	(17)
Materials, supplies and services	15,100	11,850	11,717	133
Capital outlay	0	0	0	0
	<u>20,375</u>	<u>17,400</u>	<u>17,284</u>	<u>116</u>
Total general government	<u>422,430</u>	<u>423,175</u>	<u>410,292</u>	<u>12,883</u>
<b>Public Safety</b>				
Police services:				
Salaries and benefits	539,205	560,645	526,708	33,937
Materials, supplies and services	70,795	65,845	56,620	9,225
Capital outlay	750	29,150	28,931	219
	<u>610,750</u>	<u>655,640</u>	<u>612,259</u>	<u>43,381</u>
Fire department:				
Salaries and benefits	69,045	70,000	66,540	3,460
Materials, supplies and services	68,675	132,530	115,080	17,450
Capital outlay	11,100	10,600	9,700	900
	<u>148,820</u>	<u>213,130</u>	<u>191,320</u>	<u>21,810</u>
Total public safety	<u>759,570</u>	<u>868,770</u>	<u>803,579</u>	<u>65,191</u>
<b>Highways and Public Works</b>				
Streets and highways:				
Salaries and benefits	110,530	110,530	101,699	8,831
Materials, supplies and services	95,300	93,050	84,528	8,522
Capital outlay	75,000	75,000	73,303	1,697
	<u>280,830</u>	<u>278,580</u>	<u>259,530</u>	<u>19,050</u>
Total highways and public works	<u>280,830</u>	<u>278,580</u>	<u>259,530</u>	<u>19,050</u>

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - General Fund - (Continued)**  
Fiscal Year Ended June 30, 2006

	General Fund			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
<b>Expenditures (continued):</b>				
<u>Parks and Recreation</u>				
Parks department:				
Salaries and benefits	58,530	60,770	59,401	1,369
Materials, supplies and services	13,220	11,200	12,777	(1,577)
Capital outlay	5,000	2,500	4,516	(2,016)
	<u>76,750</u>	<u>74,470</u>	<u>76,694</u>	<u>(2,224)</u>
Recreation:				
Salaries and benefits	75,125	82,210	81,022	1,188
Materials, supplies and services	38,300	39,200	41,201	(2,001)
Capital outlay	0	0	0	0
	<u>113,425</u>	<u>121,410</u>	<u>122,223</u>	<u>(813)</u>
Total parks and recreation	<u>190,175</u>	<u>195,880</u>	<u>198,917</u>	<u>(3,037)</u>
<u>Community Development</u>				
Building and zoning:				
Materials, supplies and services	<u>6,200</u>	<u>1,850</u>	<u>1,727</u>	<u>123</u>
Total community development	<u>6,200</u>	<u>1,850</u>	<u>1,727</u>	<u>123</u>
<u>Debt Service</u>				
Capital lease payments	<u>128,205</u>	<u>128,390</u>	<u>128,375</u>	<u>15</u>
Total debt service	<u>128,205</u>	<u>128,390</u>	<u>128,375</u>	<u>15</u>
Total expenditures	<u>1,787,410</u>	<u>1,896,645</u>	<u>1,802,420</u>	<u>94,225</u>
Excess (deficiency) of revenue over expenditures	(70,135)	8,340	161,288	152,948
<u>Other financing sources (uses):</u>				
Lease Proceeds	25,000	28,150	28,147	(3)
Transfers (out)	(36,000)	(104,265)	(106,265)	(2,000)
Transfers in	0	0	0	0
Total other financing sources (uses)	<u>(11,000)</u>	<u>(76,115)</u>	<u>(78,118)</u>	<u>(2,003)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other uses	(81,135)	(67,775)	83,170	150,945
Fund balance - beginning of year	<u>435,936</u>	<u>435,936</u>	<u>435,936</u>	<u>0</u>
Fund balance - end of year	<u>354,801</u>	<u>368,161</u>	<u>519,106</u>	<u>150,945</u>

**SUNSET CITY**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual - RDA Special Revenue Fund**  
Fiscal Year Ended June 30, 2006

	RDA Special Revenue Fund			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Taxes	107,000	84,135	85,272	1,137
Total Revenue	107,000	84,135	85,272	1,137
<b>Expenditures:</b>				
Community development	107,000	84,135	19,427	64,708
Total Expenditures	107,000	84,135	19,427	64,708
Excess (deficiency) of revenue over expenditures	0	0	65,845	65,845
<b>Fund balance - beginning of year</b>	374,141	374,141	374,141	0
<b>Fund balance - end of year</b>	374,141	374,141	439,986	65,845





Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

Honorable Mayor and City Council  
Sunset City

We have audited the financial statements of Sunset City as of and for the year ended June 30, 2006, and have issued our report thereon dated August 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Sunset City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Sunset City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Mayor, City Council and oversight awarding agencies. However, this report is a matter of public record and its distribution is not limited.

*Crane, Christensen & Ambrose P.C.*

August 22, 2006





Steven F. Crane, CPA  
Kent R. Christensen, CPA  
Jeffrey L. Ambrose, CPA  
Chuck Palmer, CPA

Independent Auditors' Legal Compliance Report

Honorable Mayor and City Council  
Sunset City

We have audited the general purpose financial statements of Sunset City for the year ended June 30, 2006, and have issued our report thereon dated August 22, 2006. Sunset City received the following non-major grants which are not required to be audited for specific compliance requirements: (However, these programs were subject to test work as part of the audit of Sunset City's financial statements.)

Fire and EMS Grants (Department of Health)  
Police Grants (Department of Public Safety)

Our audit also included test work on Sunset City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt	Liquor Law Enforcement
Cash Management	Justice Court
Purchasing Requirements	B & C Road Funds
Budgetary Compliance	Other General Issues
Truth in Taxation and Property	Department of Commerce General Compliance
Tax Limitations	Impact Fees

The management of Sunset City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards issued by the Comptroller General of the United States. Those requirements require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed instances of noncompliance with the requirements referred to above, which are outlined in the accompanying Schedule of Findings and Questioned Costs.

In our opinion, except for the instances of noncompliance mentioned above, Sunset City complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006.

*Crane, Christensen & Ambrose P.C.*

August 22, 2006

**SUNSET CITY**

**Schedule of Findings and Questioned Costs**

For the Year Ended June 30, 2006

**PROGRAM: JUSTICE COURTS COMPLIANCE**

**FINDING:** One C-500 form was not remitted to the State by the 10<sup>th</sup> of the following month.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** We recommend the City remit the State's portion of all fines collected to the State Treasurer by the 10<sup>th</sup> day of the following month.

**CITY'S REPLY:** The City has hired a new employee to manage this area and will comply with this requirement in the future.

**PROGRAM: BUDGETARY COMPLIANCE**

**FINDING:** The City had two departments that overspent their budgets for the year.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** We suggest the City monitor its budget more closely to make sure that all departments and funds operate within budgeted amounts.

**CITY'S REPLY:** The overage was the result of unexpected year-end accruals which the City will try to anticipate better in the future.

**PROGRAM: GENERAL COMPLIANCE UNIFORM BUILDING CODE STANDARDS**

**FINDING:** The fund balance of the City's general fund is in excess of the statutory limit at year-end.

**QUESTIONED COSTS:** None

**RECOMMENDATION:** The City should take steps to bring the fund balance into statutory limitations.

**CITY'S REPLY:** The City will budget the excess during the current year or make transfers to reduce the fund balance of the general fund.